Sitting in his spacious, well-appointed office in the heart of the capital, R.K. Upadhyay, chairman and managing director (CMD), Bharat Sanchar Nigam Limited (BSNL), outlines the key priorities before him: "Our aim is to retain and increase our market share as well as our footprint in the broadband, mobile and value-added service (VAS) segments. We also plan to maintain our wireline customer base and install 15 million GSM lines during this financial year in order to enhance capacity. Leveraging 3G services and revising tariff plans to attract customers are other priorities. In short, we intend to increase our top line and bottom line this year."

{K2Splitter} Sitting in his spacious, well-appointed office in the heart of the capital, R.K. Upadhyay, chairman and managing director (CMD), Bharat Sanchar Nigam Limited (BSNL), outlines the key priorities before him: "Our aim is to retain and increase our market share as well as our footprint in the broadband, mobile and value-added service (VAS) segments. We also plan to maintain our wireline customer base and install 15 million GSM lines during this financial year in order to enhance capacity. Leveraging 3G services and revising tariff plans to attract customers are other priorities. In short, we intend to increase our top line and bottom line this year."

The CMD clearly has his hands full. Realising that tough times call for tough measures, Upadhyay is pulling out all the stops to revive the fortunes of the state-run telecom company, once a serious contender for the top spot in the country's wireless market.

Incorporated in 2000, BSNL began its telecom innings on a positive note. It became the largest mobile operator in the country within four years of service launch in 2002. By 2006, it had notched up a customer base of 20 million and a market share of 25 per cent.

However, a major capacity crunch thereafter slowed down the incumbent's progress. Network expansion failed to keep pace with the growing mobile subscriber base, with the last expansion taking place in 2005. By late 2006, subscriber additions had dipped significantly and subsequent expansion plans were either stalled or delayed. With this slide continuing since, BSNL has been struggling to hold its own in the face of fierce competition from private players.

Market position

Today, the operator is under pressure in all its business segments (excluding internet and broadband, and rural telephony). Frequent tariff cuts and unrelenting competition have resulted in a significant drop in its market share – as of June 2012, BSNL, along with Mahanagar Telephone Nigam Limited, had a mobile market share of only 11.12 per cent.

BSNL was ranked fifth in the mobile segment with 98.27 million subscribers as of June 2012, after Bharti Airtel (187.3 million users), Reliance Communications (154.6 million), Vodafone India (153.7 million) and Idea Cellular (117.16 million).

The company has been losing subscribers in the wireline space too, though this is a common trend among all players in the segment. Between March 2011 and March 2012, BSNL's wireline base decreased by 10.93 per cent. That said, it continues to be the biggest player in this segment with a 69.08 per cent market share as of June 2012.

Like other players, BSNL too has failed to capitalise on the 3G opportunity, despite having the first-mover advantage in this space and a presence in 963 cities. According to estimates, the company accounts for only 3 million of the total 15 million 3G users in India.

Significantly, the operator has a comfortable lead in the broadband segment with a 63.7 per cent market share and 12.65 million users as of June 2012.

Mobile number portability (MNP) has done little to salvage BSNL's position. In fact, it is estimated to have lost about 488,222 customers since the launch of MNP in 2011.

The company has been in the red for some time now. It had registered its highest net profit of over Rs 100 billion in 2005-06, following which profits have dropped. The operator registered a net loss of Rs 59.97 billion for 2010-11, mainly due to expenses on procuring 3G and broadband wireless access (BWA) spectrum as well as employee salaries. As per BSNL, its cash reserves decreased from a substantial Rs 303.43 billion as of March 2010 to Rs 25 billion by March 2011.

Company Stories, August 31, 2012

Key advantages

However, the company has several inherent strengths, which could help in reversing the negative trend. "Its major strength lies in its extensive infrastructure. The company has a wide network of copper wire, optic fibre cable (OFC) and tower sites," notes Dr Mahesh Uppal, director, ComFirst.

According to Frost & Sullivan, the company has about 650,000 km of OFC networks across the country, which is significantly higher than any other player at present. This infrastructure is being leveraged by the government to promote broadband services in rural India. The Department of Information Technology has launched the National Optical Fibre Network (NOFN) project in collaboration with BSNL to connect 250,000 village panchayats through an OFC network. The government approved the project in October 2011 and plans to complete it by October 2013.

The NOFN is aimed at bridging the connectivity gap between village panchayats and blocks. It is being implemented by Bharat Broadband Network Limited (BBNL), a special purpose vehicle constituted by BSNL, RailTel and Power Grid Corporation of India Limited. The project will be financed through the Universal Service Obligation (USO) Fund. BBNL will be the bandwidth provider and will ensure that all panchayats are connected.

BSNL is also the third largest mobile tower operator with a portfolio of about 60,000 towers. Moreover, the company has retained its position among the top five telecom players in the country despite the challenges it has been facing. It has the largest fixed line network in the country, an extensive mobile network, wide rural coverage and strong last-mile connectivity.

According to company officials, the operator's rural footprint covers almost all populated villages through village public telephones. Its landline and GSM services are available in over 400,000 and 350,000 villages respectively. "Though not very cost effective, we have covered more than 170,000 villages with broadband services to bridge the rural-urban gap," says Upadhyay.

Issues, challenges and expert view

Analysts agree that the key impediments to BSNL's growth are its increasing financial losses, the inability to remain competitive, low brand equity and a huge workforce.

"First, the company has to seriously look at stemming its financial losses and streamlining operations internally. BSNL's losses peaked in 2011-12 to reach about Rs 70 billion. Also, the company has an employee base of more than 250,000, which results in high manpower costs, comprising over 40 per cent of its total expenses as compared to an average of 5-6 per cent for competition," says Abhishek Chauhan, senior consultant, information and communication technology practice, South Asia and Middle East, Frost & Sullivan.

Upadhyay agrees that the increasing losses are a cause for concern. "Despite the growing revenues and market share in the GSM and broadband space, the continuous decline in landline services is a major challenge. We are maintaining more than 28,000 rural exchanges that are not commercially viable, as the expenses on establishing and operating these facilities are much higher than the revenues accrued," he says.

The company intends to increase its revenues by reducing operational costs during 2012-13. It is also looking to optimise its vast infrastructure through various innovative projects.

Analysts believe that this could be one of the most viable ways of reviving the operator's business. "BSNL ought to consider utilising or sharing the large assets it has built across the country, both in the fixed line and wireless space. This can be achieved by leveraging the NOFN project and through other broadband initiatives. The company also needs to look at data services and reduce its dependence on the fixed and mobile voice segments for revenue," says Chauhan.

The government is working on a plan to ensure viable operations for BSNL. According to Sachin Pilot, minister of state for communications and IT, this can be achieved through effective utilisation of the company's infrastructure, forming partnerships and joint ventures, and identifying new revenue streams.

Moreover, Pankaj Agrawal, co-head, Analysys Mason, notes that the company urgently needs to make structural changes to improve its performance. "The two main issues for BSNL relate to procurement and its large employee base. Initially, the operator did very well as the demand for

its services, particularly landline services, was very high. However, it failed to keep pace with this growing demand, owing to issues on the supply side, which cost it dearly in terms of customers," he says.

The majority of BSNL's challenges arise from its PSU ancestry. Like most PSUs, the company faces issues such as bureaucratic delays and excess manpower. In particular, managing the company's workforce of about 300,000 employees has been a major challenge. "We inherited a large employee base from the Department of Telecommunications (DoT) in 2000, when BSNL was created. The amount of revenue that can be generated in a hypercompetitive market like India is inadequate to meet their demands," says Upadhyay.

The availability of quality manpower could be another issue as the operator undertakes structural changes. "Human resource is a major issue. BSNL has prepared an ambitious growth plan and hired seasoned officials at the director level. However, these employees may not have the requisite skill set to meet the targets. The company should work on hiring people from different sectors who are committed and willing to deliver," says Agrawal.

In addition, the company's focus on brand building and marketing has not been strong. Industry analysts feel that BSNL should move from technology-centric advertising and adopt innovative marketing strategies.

"The nature of the telecom business has changed from being technology intensive to sales and marketing centric. However, BSNL has not kept up with the times. Its ads still talk about technology offerings such as MPLS and leased lines. Customers do not understand technical jargon and are only looking for the best deal," notes Agrawal.

Dr Uppal agrees on this point. "BSNL has to work towards making its brand more appealing to the masses. Today, people are highly brand conscious and, therefore, BSNL needs to improve its image to attract users," he says.

Analysts suggest that going forward, BSNL should focus on VAS, relevant vernacular content, quality of service, post-sales and customer care services, and marketing initiatives.

Company Stories, August 31, 2012

The road ahead

Efforts are being made to improve the company's overall performance and increase its competitiveness. "To leverage 3G services, we plan to launch new VAS offerings and tariff plans. We are also looking to introduce services such as movie and game downloads, and video-on-demand. We intend to offer innovative services in association with strategic partners," Upadhyay says.

The company also plans to leverage its CDMA network by increasing the uptake of data cards, which is expected to generate significant revenues. "These cards would provide access to the internet on the go throughout India," Upadhyay says. Further, the company plans to hire a consultant to help it monetise this network effectively.

On the wireline front, the aim is to expand service coverage to new towns and cities as well as upcoming townships. "We are trying to expand our copper and fibre networks to areas where new townships or apartments are being constructed. We have almost completed the procurement process for underground copper cables and the delivery process to the site has begun. This is expected to provide a fillip to our landline services," says Upadhyay.

The enterprise segment is another key focus area. According to Upadhyay, this segment grew by 30 per cent between 2010-11 and 2011-12. The company hopes to replicate this growth this year as well. The operator's internal enterprise resource planning (ERP) project is an important initiative in this segment. "Our ERP project is aimed at providing a 360 degree view of BSNL's country-wide operations on one platform. We hope to make good progress on this project in 2012-13," says Upadhyay.

The company is also looking to tap new revenue sources. "Since 2011, BSNL has been opening up its tower business to private operators for sharing and significant progress has been made on this front," notes Upadhyay. The company has tied up with most of the leading operators, which are in the process of acquiring BSNL's mobile tower slots.

The operator has also floated a tender to invite companies to avail of the high capacity bandwidth available with it. Upadhyay explains that this resource can be utilised by other operators for service launch and expansion. The company also plans to monetise other

infrastructure like land and buildings to generate additional revenues. Besides, it is looking to obtain long-term project financing from various banks and financial institutions.

Meanwhile, BSNL awarded 2G and 3G network expansion contracts to ZTE, Huawei and Alcatel-Lucent in May 2012. Worth Rs 14.37 million, the contracts were awarded for all circles, except Chhattisgarh and Madhya Pradesh, Maharashtra and Gujarat. The scope of the contracts included planning, financing, engineering, supply, installing, testing, commissioning and annual maintenance. However, the Telecom Equipment Manufacturers' Association has alleged that overseas vendors violated tender clauses to bag the orders. DoT is currently examining the issue.

To sum up, the telecom giant has been losing money, brand appeal and market share, besides being under pressure due to governmental interference and bureaucratic delays. In this situation, only urgent and sweeping changes can help it in regaining lost ground.

About Us	We are Hiring	Contact Us	
Subscribe	Privacy Policy	Advertise	Terms & Conditions

Copyright © 2010, tele.net.in All Rights Reserved